

Washington State Auditor's Office
Accountability Audit Report

Town of La Conner
Skagit County

Audit Period
January 1, 2001 through December 31, 2003

Report No. 67558

Issue Date
December 10, 2004



Washington
State Auditor
Brian Sonntag

Audit Summary

Town of La Conner Skagit County January 1, 2001 through December 31, 2003

ABOUT THE AUDIT

This report contains the results of our independent accountability audit of the Town of La Conner for the period January 1, 2001, through December 31, 2003.

We performed audit procedures to determine whether the Town complied with state laws and regulations and its own policies and procedures. We also evaluated the internal controls established by Town's management.

RESULTS

In most areas, the Town complied with state laws and regulations and its own policies and procedures. However, we identified certain issues that we communicated to Town management.

Also, during our audit, citizens brought to our attention a potential issue with the proposed sale of Gaches Mansion, which is owned by the Town.

On April 22, 2004, the La Conner Quilt Museum Society submitted an offer to the Town to purchase the Mansion for \$25,000. An appraisal performed for the Quilting Society showed the Mansion's estimated market value at \$342,000. The Skagit County Assessor's Office had assessed the property at \$353,000.

On May 4, 2004, the Town notified the Quilting Society that the Town's Facilities/Finance Committee had reviewed the offer and would recommend to the Council that it be declined because it did not represent the property's fair market value.

According to the minutes of the May 11, 2004 Council meeting, the Quilt Museum presented the following offer:

\$353,000	assessed valuation
(\$ 52,950)	15 percent reduction in value for public access (this reduction is based on the zoning for this property being changed from residential to public access)
<u>(\$275,000)</u>	less anticipated repair/maintenance to the building
\$25,050	offer price

During the meeting, the Town's Finance Committee recommended the offer be rejected and requested another offer from the Society. After discussion, however, the Council voted to accept the \$25,050 offer from the Society.

At a Council meeting on May 25, 2004, a Council Member moved, based on previous advice from the Town's legal counsel, to rescind the offer to sell the Mansion for \$25,050 and hire an appraiser and an inspector to determine a fair price for the property. The Council did not vote to do so. As of the end of audit field work in October 2004, the Town had not signed a final sale agreement or voted to rescind the original agreement.

If the Town goes through with the sale, it could be a gift of public funds, in violation of Article VIII, Section VII of the Washington State Constitution. We will review this transaction during our next audit.

RELATED REPORTS

Our opinion on the Town's financial statements is provided in a separate report, which includes the Town's financial statements.

CLOSING REMARKS

We thank Town officials and personnel for their assistance and cooperation during the audit.

Table of Contents

Town of La Conner
Skagit County
January 1, 2001 through December 31, 2003

Description of the Town 1

Audit Areas Examined..... 3

Description of the Town

Town of La Conner Skagit County January 1, 2001 through December 31, 2003

ABOUT THE TOWN

The Town of La Conner was incorporated in 1890 and serves approximately 800 citizens in Skagit County. It is administered by a mayor-council form of government. There are five elected Council Members and an independently elected Mayor. In 2003, the Town expended \$803,172 from its current expense fund. The Town's nine full-time and two part-time employees provide various services including general administration, planning, public works and sewer.

AUDIT HISTORY

This audit covered a three-year audit period. Prior to this audit, we audited the Town every two years. The past five audits of the Town have reported some areas of concern, with a total of three findings.

During the previous audit, the Town received a finding for not notifying the State Auditor's Office that it spent more than \$300,000 in federal funds and was, therefore, required to have an audit of its federal funds. The Town has taken steps since the last audit to monitor its federal expenditures to avoid missing a federal audit in the future.

ELECTED OFFICIALS

These officials served during the audit period:

Mayor

Eron Berg
Wayne Everton (currently serving)

Town Council:

Joan Cross
Dan O'Donnell
John Stephens
Mary Lam (currently serving)
Phil Perry (currently serving)
Alan Edson (currently serving)
Don Wright (currently serving)
Shani Taha (currently serving)

APPOINTED OFFICIALS

City Attorney
Finance Director
City Administrator

Brad Furlong
Debbie Malarchick
Jenny Scott

ADDRESS

Town

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PO Box 400
La Conner, WA 98257
(360) 466-3125
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Audit Areas Examined

Town of La Conner Skagit County January 1, 2001 through December 31, 2003

In keeping with general auditing practices, we do not examine every portion of the Town of La Conner's financial activities during each audit. The areas examined were those representing the highest risk of noncompliance, misappropriation or misuse. Other areas are audited on a rotating basis over the course of several years. The following areas of the Town were examined during this audit period:

ACCOUNTABILITY FOR PUBLIC RESOURCES

We evaluated the Town's accountability in the following areas:

- Cash receipting
- Credit card use
- Travel expenses
- Disbursements
- Conflict of interest
- Fixed assets
- Payroll
- Purchase of goods and services
- Financial statement preparation and journal entries

LEGAL COMPLIANCE

We audited the following areas for compliance with certain applicable state and local laws and regulations:

- Deposit of public funds
- Required financial schedules
- Risk management
- Budgeting requirements
- Allowable expenditures
- Conflict of interest laws
- Competitive bidding requirements
- Public works contracts
- Open Public Meetings Act
- Debt limitation

FINANCIAL AREAS

Our opinion on the Town's financial statements is provided in a separate report. That report includes the Town's financial statements and other required financial information. We examined the financial activity and balances of the Town including:

- Cash and investments
- Revenues
- Expenditures
- Long-term debt
- Overall presentation of the financial statements